



U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON THE BUDGET

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Chris Van Hollen,
Ranking Democrat

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Missing Link in Republican Medicare Plan Confirmed – Bad News for Seniors

Washington, DC – *Today Maryland Congressman Chris Van Hollen, Ranking Member on the House Budget Committee, issued the following statement about the confirmation that the Republican Medicare voucher plan places the risks of rising health care costs on the backs of senior citizens and individuals with disabilities:*

“Today, a critical detail about how the Republican Medicare voucher plan would work was confirmed. As we feared, the plan places the risks of rising health care costs on the backs of senior citizens and individuals with disabilities. The Republicans’ plan does this by capping the rate of increase of the voucher payment to individuals. Over time, this payment can grow no faster than the increase in per capita Gross Domestic Product (GDP) plus 0.5 percent, even though health care costs are expected to rise at a much faster rate. As a result, people who rely on Medicare will face a terrible choice. Either they will no longer be able to afford the health benefits that are currently provided under Medicare, or they will be forced to pay much more simply to maintain existing benefits. Either way, the Republican plan violates the Medicare guarantee.

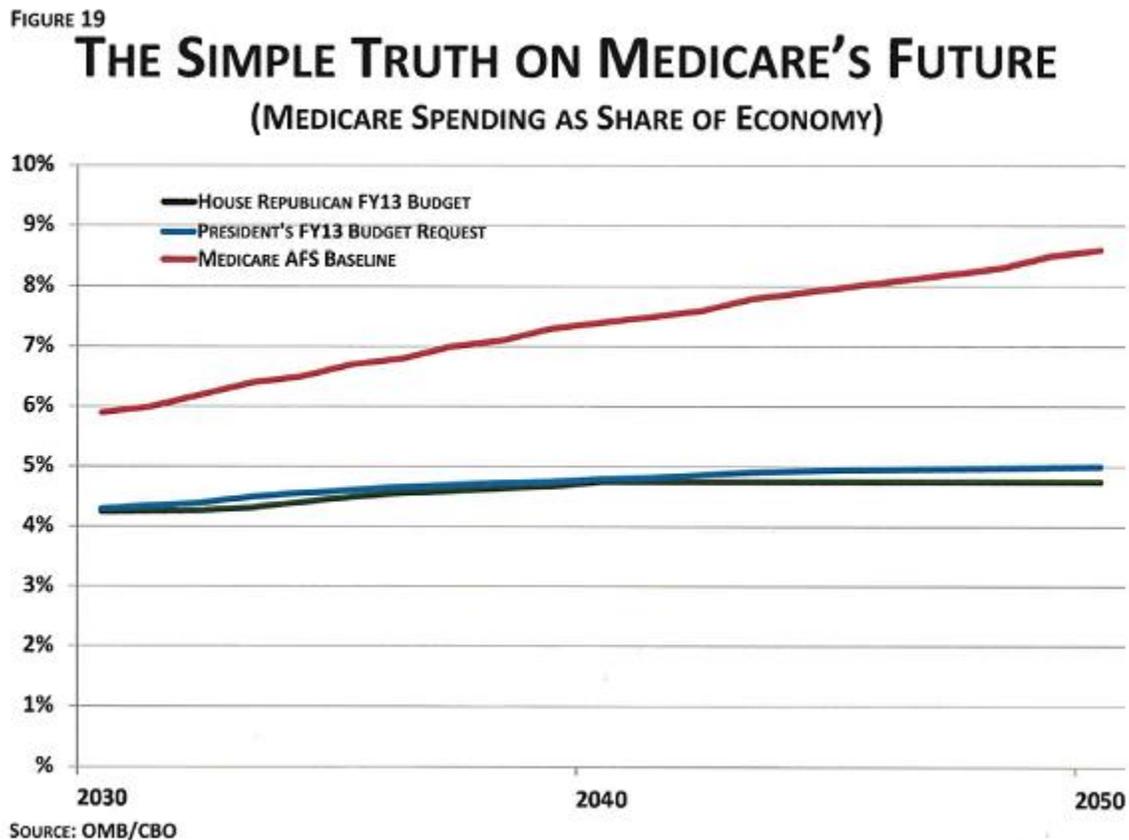
“Republicans often say their Medicare voucher plan is just like what Members of Congress get as federal employees, or that it is like the Medicare Part D prescription drug benefit. These claims are simply wrong. In these two programs, the federal government commits to paying a fixed share of the total cost of premiums for an individual. In other words, the federal contribution keeps pace with growth in health care costs.

“This is a fundamental difference between the Republican Medicare plan and the health plan available to Members of Congress. This is why the Republican Medicare plan is a voucher plan, not a premium support plan. In a true premium support plan, the government commits to paying a constant ‘fair share’ of the total premium, rather than gradually reducing the federal share and increasing the beneficiary’s share over time. With their embrace of this plan, Republicans demonstrate that they are willing to place much more risk on senior citizens than they are prepared to impose on themselves.

“Democrats have a better way to address the challenge of rising health care costs. The goal of reform should be to reduce cost growth within the health system, while protecting the essential benefits that Medicare covers. The Affordable Care Act of 2010 laid a solid foundation of reforms to transform Medicare into a program that rewards value and quality of care instead of quantity of care. We know there is plenty more to be done. The great virtue of the Affordable Care Act is that creates a pathway toward continuous improvement and innovation.

“House Budget Committee Republicans even admitted today, despite their constant protestations to the contrary, that the Democratic vision for health reform will achieve the same magnitude of savings as the House Republican plan. The chart below, prepared by the House Budget Committee majority, illustrates this. We all agree that we need to put the budget on a sustainable fiscal path. The fundamental difference is how to do it. As Democrats, we simply refuse to pass the risk of rising health costs onto seniors and disabled individuals living on fixed incomes.”

BACKGROUND:



Following is the relevant exchange that occurred today in the House Budget Committee's markup of the Concurrent Resolution on the Budget for Fiscal Year 2013, between Ranking Member Van Hollen and House Budget Committee Majority Staff Director Austin Smythe:

VAN HOLLEN: The proposal you have there for, whether you call it voucher or premium support, has a cap on the value of the support, the voucher, of [GDP plus 0.5 percent]. And so my question is, is that the enforcement mechanism? I'm assuming if the proposal is to move to a system where every senior on Medicare has the equivalent of a voucher, has premium support, that that is enforced by reducing the value of the voucher.

SMYTHE: The policy in the Chairman's mark is to move to a competitive bidding system of where there would be a series of plans that would be offered, as well as the traditional fee for

service option. We think that, through competition, you would see lower bids coming in as a result of that process, so the way the plan, the assumption of the policy is, there would be a bidding process and you would take, I think, it's the lowest or second lowest bid is part of that process, as a backstop. CBO couldn't provide an estimate for us on that. They are working on that but in time for the Chairman's mark they could not provide an estimate for us. So as a backstop, **if those bids did not come in lower, then the premium support payment would be held to GDP plus 0.5 percent** (emphasis added), which is the same level as what the President's budget proposes for the IPAB to achieve.

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